Retirees Far From Bases To Lose Tricare Prime

Tricare Prime, the military's managed-care option, will end Oct. 1, 2013, for retirees, their family members and for military survivors who reside more than 40 miles from a military treatment facility or from a base closure site, Tricare Management Activity announced Wednesday.

Most of these 171,400 beneficiaries will need to shift health coverage from Prime to Tricare Standard, the military's fee-for-service health insurance option. For beneficiaries who use more than preventive health care during the year, the shift will mean higher out-of-pocket costs.

Defense officials expect the move to save the health care system up to $55 million a year.

The rollback in number of Prime service areas will not impact active duty members or their families living far from a military base for tours as recruiters or in other remote assignments. Their health insurance through the separate Tricare Prime Remote program will not change.

But grown children of members or of retirees who elected coverage under Tricare Young Adult insurance will, like retirees, lose access to managed care providers under Prime if they reside more than 40 miles from a base.

Tricare had considered ending Prime in remote service areas of the West Region on April 1, to coincide with changeover for that region's Tricare support contactor. On that date, the TriWest Healthcare Alliance will give way to United Healthcare Services of Minnetonka, Minn.

"The primary concern was the beneficiaries. We didn't feel like we had enough time to notify them and help them through the transition," explained S. Dian Lawhon, director of beneficiary education and support at Tricare Management Activity headquarters in Falls Church, Va.

Congressional committee staffs also had complained about a staggered start across regions to a major benefit change. So the Prime service area rollback will occur in the North, South and West regions simultaneously next fall. This will cause another set of challenges in remote areas of the West Region that an April 1 start there would have avoided.

TriWest needed years to build its current network of providers far from military bases across the region. United Health will now be paid additional monies under a contract change order to build its own remote networks of providers. Those networks will only operate until October.

How successful United Health can be in luring providers, or even beneficiaries, to new networks that will be dissolved quickly is anyone's guess but the scheme has skeptics.

"They are just kicking the can for six months at significant expense to the government," said one Tricare contracting official with knowledge of the move.
"When they have a [defense budget] sequester looming, proceeding down that path really doesn't make a lot of sense."

Tricare's far more critical challenge, however, is to educate impacted beneficiaries that their Prime coverage will end and most of them will need to shift to Tricare Standard. An aggressive information campaign is planned with the first of three letters of explanation and warning to be sent to affected beneficiaries and families within 30 days, Lawhon said.

Under Prime, beneficiaries get their care from a designated network of providers for a fixed annual enrollment fee, which for fiscal 2013 is set at $269.28 for individual coverage or $538.56 for family. Retirees and family members also are charged a co-pay of $12 per doctor visit.

Under Tricare Standard, beneficiaries choose their own physicians and pay no annual enrollment fee. When in need of care, retirees must pay 25 percent of allowable charges themselves. They also pay an annual deductible of $150 for individual or $300 per family. Total out-of-pocket costs, however, cannot exceed a $3000 per family catastrophic cap.

Some beneficiaries who see local Prime coverage end will be able to enroll in a remaining Prime network near base. To do so they would have to reside less than 100 miles from that exiting network and would have to waive the driving-distance standard that Tricare imposes for patient safety. That standard when enforced required that an assigned network provider be within a 30-minute drive of the beneficiary's home.

If displaced Prime beneficiaries meet the two requirements, then an existing network will make room for them regardless of number of beneficiaries enrolled, Lawhon said. But joining a new network also will mean new doctors. So most displaced Prime beneficiaries are expected to choose to use Tricare Standard instead to get care locally and, in many cases from the same physicians who treated them under Tricare Prime.

"People who use Standard are very, very pleased with it," Lawhon said. As a group they report higher scores on customer satisfaction surveys than do Prime users, she said.

The push to end Prime in areas away from bases began in 2007 with design of a third generation of Tricare support contracts. But it took years to settle on winning contractors for the three regions due to various bid protests and award reversals. Health Net Federal Services has run North Region under the new contract since April 2011. Humana Military Healthcare Services has had the South Region under the new contract since April 2012. Along with TriWest, these contractors have continued to run remote Prime networks under temporary order while waiting final word from Tricare on imposing Prime area restrictions written into original contracts.

The driver behind new restrictions on Prime is cost. Managed care is more cost efficient for the private sector but more expensive for the military to offer than traditional fee-for-service insurance. This is true in part because Congress won't allow Prime fees to keep pace with health inflation. So more beneficiaries using Standard means less cost to TRICARE.

Of beneficiaries impacted by the Prime area rollback, more than half, almost 98,000, reside in South Region. Roughly 36,000 are West Region beneficiaries and more than 37,000 are in the North Region.

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